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C O N F I D E N T I A L SECTION 01 OF 03 BRASILIA 001636

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SUBJECT: BAHIA SUMMITS, PART 1: BRAZIL HOSTS FOUR REGIONAL SUMMITS

REF: A. BRASILIA 1301

[1](#)B. BRASILIA SEPTEL: BRINGING LATIN AMERICA AND THE CARIBBEAN TOGETHER...AROUND CUBA

[1](#)C. BRASILIA SEPTEL: THE SURPRISE OF BAHIA: MEXICO COZIES UP TO BRAZIL

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Classified By: Ambassador Clifford M. Sobel. Reasons: 1.4 (b) & (d)

[1](#)1. (SBU) SUMMARY: Over a two-day period, December 16-17, Brazil hosted a series of four summit meetings at the seaside resort of Costa do Sauipe, Bahia, involving the heads of state or high-level government officials of 33 Latin American and Caribbean countries: The Common Market of the South (MERCOSUL), the Union of South American Nations (UNASUL), the Rio Group, and the first-ever summit of all Latin America and Caribbean leaders (CALC). The results of the MERCOSUL meeting were notably thin, while UNASUL approved Brazil's proposed South American Defense Council (SADC). Rio Group leaders' endorsement of Cuba's membership provided the unexpected unifying theme from Bahia: a message to the United States that it is time to reintegrate Cuba into the hemispheric community, and that the success of the April Summit of the Americas (SOA) depends on it (ref B). Although the press highlighted the exclusion of the United States and Canada and the anti-American rhetoric on the part of some leaders, the Bahia events, which were the largest regional gathering held without extra-regional participation, prompted observers to comment on Brazil's growing influence and ability to convene its neighbors to a meeting of hemispheric proportions. Mexico provided the final surprise when, during the closing of the CALC December 17, Mexican President Felipe Calderon called for the formation of a permanent Latin America and Caribbean Union to serve as either an alternative or complement to the Organization of American States (OAS) (ref C). Observers agree that Brazil's calling and hosting of this two-day multi-summit event demonstrated that the GOB is able and willing to exercise increasingly visible regional leadership, with an eye toward gaining legitimacy as the principal regional representative on the global stage. END SUMMARY.

MERCOSUL

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[1](#)2. (SBU) Brazilian President Luiz Inacio Lula da Silva was joined by his MERCOSUL counterparts from Argentina (Kirchner), Uruguay (Vazquez), Paraguay (Lugo), and Venezuela (Chavez), at meetings on December 16. Bolivia (Morales) and Chile (Bachelet) attended as observers. The group agreed to

absorb Bolivian textile exports without tariff, to offset Bolivia's loss of preferential access to the U.S. market. Otherwise, results were remarkably thin. The group was unable to come to consensus agreement on eliminating double tariff collection or on how tariff-revenue would be allocated among MERCOSUL members. At the end of the meeting Brazil passed the rotating six-month presidency to Paraguay. On December 17, Brazil's lower house approved admission of Venezuela into Mercosul. It now faces a tough battle in the Brazilian senate, and is still under consideration by Paraguay's legislature, as well, before Venezuela can be officially admitted.

UNASUL

13. (C) Chilean President Michele Bachelet, chaired a quick meeting of the Union of South American Nations (UNASUL) on December 16, in which the group of 12 nations approved the formation of the South American Defense Council (SADC) -- a key Brazilian objective since the founding of UNASUL. The SADC will hold its first formal meeting in March 2009. UNASUL leaders reaffirmed that deepening regional integration and strengthening trade ties and investment flows are important to growth and pledged to increase commercial flows between themselves and with the world. Fears that Argentina might press for a majority vote on the candidacy of former Argentine president Nestor Kirchner to be UNASUL Secretary General did not materialize. While not resolved, Uruguayan diplomats told poloff that the group had come to an agreement that the decision should be made by consensus which, in light of Uruguay's explicit objection and the lukewarm support of other members, will effectively block Kirchner's candidacy. Members agreed that Chile, which stepped into the breach earlier this year after Colombia withdrew during its dispute

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with Ecuador, should remain as UNASUL president at least until April 2009 when leaders are due to meet again.

The Rio Group

14. (U) Cuban President Raul Castro was treated as an honored guest as heads of state and government of the 23 Latin American and Caribbean Rio group member-states endorsed the Zacatecas declaration that formally granted Cuba membership in the organization. Overall, the two-day series of meetings served as a coming out for Raul Castro, who was making his first official trip outside of Cuba since taking over the presidency from his brother Fidel in 2006. Castro, who visited Venezuela prior to the Bahia meetings, also was present at the MERCOSUL meeting and the CALC. He met privately with the OAS Secretary General, reportedly to discuss Cuba's interest in rejoining the Organization, and other leaders before being receive in Brasilia by Lula for a one-day official bilateral visit December 18. As the only concrete outcome of hemispheric significance to emerge from Bahia, the Rio Group decision to admit Cuba set the stage for Cuban reintegration into the hemispheric community to become the dominant theme in the CALC, as well.

The Latin America and Caribbean Summit (CALC)

15. (C) Although Brazil called the first CALC meeting with only the vaguest notion of an agenda (ref A), the December 17 meeting picked up where the Rio Group left off on Cuba, issuing a declaration calling for an end to the U.S. trade embargo on Cuba, delivering a broader message to the United States that it is time to reintegrate Cuba into the hemispheric community, and implicitly hinting that the success of the April Summit of the Americas (SOA) depends on it (see ref B). It also provided regional support for a number of single-country gripes, via a communique urging the United States to renew the Andean Trade Promotion and Drug

Eradication Act (ATPDEA) preferences for Bolivia; a separate communique on the "Malvinas Question," calling on Great Britain to resume negotiations with Argentina on the sovereignty issue in accordance with UN resolutions and guidelines; and a call for the European Union to continue granting Generalized System of Preferences (SGP-plus) benefits, meant to foster sustainable development and governance, to Panama. Among a slew of comments on global topics from development to environment to energy to UN reform, the leaders urgently called for a "balanced and equitable" and "less than reciprocal" conclusion to the Doha WTO round. They also called for dialogue among regional FinMins on financial architecture and regulatory mechanisms to address the financial crisis in language that conflicts with recent Brazil-chaired G-20 statements on the issue.

¶6. (C) A surprising outcome of the CALC was Mexican President Felipe Calderon's call at the closing session for a regional union excluding the United States and Canada, which could act as an alternative or complement to the Organization of American States. The proposal made headlines in Brazil, but did not appear in the final declaration. The Mexican Ambassador to Brazil told Ambassador Sobel that neither the other leaders nor the Mexican foreign ministry were consulted before Calderon made the proposal (see ref C).

¶7. (C) Press coverage from Bahia highlighted the anti-American rhetoric. Evo Morales made a call, ignored by most of the other leaders, for all U.S. Ambassadors to be expelled from the region if the embargo was not lifted. Hugo Chavez hailed the CALC as Latin America's demand for independence and respect from the United States. Lula and others tried to moderate some of the more radical pronouncements by expressing hopes that an Obama Administration would change U.S. policy towards Latin America. Lula called on his colleagues to give Obama a chance to take office and allow him time to implement policy changes. Yet he insisted the region should not continue to be subservient in its relationship with the United States. He also took the opportunity to denounce the U.S. trade embargo on Cuba, saying at the Rio Group meeting, "there is no more explanation for it, there is no longer an economic explanation, there is no longer a political explanation, that is to say, there exists no reason for it." Lula also made harshly critical remarks about the U.S. and other developed

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nations' responsibility for the global financial crisis. Initial editorials in major media have been highly critical of the "exclusionary" tone of the CALC, which has been derided as yet another misstep by Lula toward less valuable south-south relationships and away from the global leaders that are also Brazil's major trading partners.

¶8. (C) COMMENT: Media analysts, academia, and the local diplomatic corps are currently engaged in a Bahia post-mortem that may alter initial, mostly negative, assessments focused on the shrillness of anti-U.S. rhetoric at this Brazil-organized event. For or against, observers agree that Brazil's calling and hosting of this two-day multi-summit event demonstrated that the GOB is able and willing to exercise increasingly visible regional leadership, with an eye toward gaining legitimacy as the principal regional representative on the global stage. (See additional comment refs B and C.) END COMMENT.  
SOBEL